



ALBUQUERQUE NATIONAL BANK

ALBUQUERQUE, NEW MEXICO

JOHN K. WHITE
SENIOR VICE PRESIDENT

IRREVOCABLE LETTER OF CREDIT NO.

September 12, 1980

To: UTAH BOARD OF OIL, GAS AND MINING
1588 West North Temple
Salt Lake City, Utah 84116

ATTN:
James W. Smith, Jr.
Coordinator of Mined Land Development

Dear Mr. Smith:

The Albuquerque National Bank ("the Bank") a bank organized in the United States, has been informed by Ranchers Exploration and Development Corporation ("Ranchers") that in connection with approval of Ranchers' "Mining and Reclamation Plan" for the Escalante Silver Mine, located in Iron County, Utah, a form of reclamation surety is required as a condition of final approval.

We have been provided with a copy of the Bond Estimate dated August 19, 1980 in the amount of \$119,574.00 for the Escalante Silver Mine and we understand that in accordance with the law and Rules and Regulations of the Board, that Ranchers is committed to perform the reclamation set forth in the Bond Estimate upon conclusion of its mining operations. We further understand that such Bond Estimate is intended to cover a maximum of five years and that at the expiration of such period, updated surety arrangements must be made by Ranchers with the Board.

For the purpose of assuring Ranchers' payment of reclamation costs in the amount of the August 19, 1980 Bond Estimate of One Hundred Nineteen Thousand Five Hundred Seventy Four Dollars (\$119,574.00),

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DIVISION OF
OIL, GAS & MINING

Irrevocable Letter of Credit No. _____

the Bank hereby opens its Irrevocable Credit in favor of the Utah Board of Oil, Gas and Mining for a period of one year, but we agree that it will be automatically renewed each year for a total of five years from date hereof or until release by the Utah Board of Oil, Gas and Mining, whichever first occurs. Such credit shall be available by the Board's draft(s) at sight, drawn on the Bank for a sum not to exceed \$119,574.00 for the account of Ranchers, to be accepted by your signed statement that drawing is due to a determination under Section 40-8-14(c) of the Utah Code Annotated (UCA) that Ranchers has failed to carry out its land reclamation responsibilities.

Any drafts drawn under this Letter of Credit must be marked "drawn under Albuquerque National Bank's Letter of Credit No. _____, dated September 12, 1980". Drafts shall be duly honored if presented within one year of the date hereof *please refer to paragraph regarding automatic renewal to maximum of five years and after the required determination under Section 40-8-14(c) UCA.

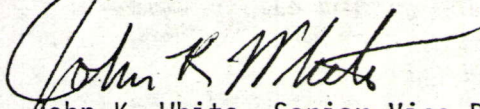
Salt Lake City, Utah 84116

The Bank further agrees that it will notify the Board of any action filed alleging bankruptcy of the Bank, or alleging any other violation which would result in suspension of the Bank's charter or license to do business. In the event the Bank is unable to fulfill its obligations under the Letter of Credit for any reason, notice shall be immediately given to Ranchers and the Board. Upon incapacity of the Bank to fulfill its obligations under the Letter of Credit, Ranchers shall be deemed to be without performance bond coverage in violation of Section 40-8-14, UCA and Ranchers has represented to the Bank that it shall discontinue mining activities until new reclamation surety coverage is approved by the Board.

This Letter must be issued in compliance with the Uniform Customs and Practice for Documentary Credits, published as the International Chamber of Commerce Publication No. 290.

Yours very truly,

Albuquerque National Bank



John K. White, Senior Vice President

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DIVISION OF
OIL GAS & MINING